



Ministry of Housing,
Communities &
Local Government

The provisional local government finance settlement

Consultation paper



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Scope of the consultation

Topic of this consultation:	This consultation covers proposals for the provisional local government finance settlement for 2019-20.
Scope of this consultation:	<p>This consultation seeks views on proposals for the local government finance settlement for 2019-20, in particular from representatives of local government, before determining the final amount of Revenue Support Grant and its allocation to receiving authorities and the specified body.¹</p> <p>The consultation notifies representatives of local government of the general nature of the basis of distribution of Revenue Support Grant, and of the general nature of the basis of calculation of 'tariff' and 'top up' payments through this consultation document and accompanying documents, in particular the draft Local Government Finance Report for 2019-20.²</p>
Geographical scope:	These proposals relate to England only.
Impact Assessment:	Since the Government does not envisage that the proposals within this consultation document will have an impact on business, no impact assessment has been produced.

Basic Information

To:	The consultation will be of particular interest to local authorities, and representative bodies for local authorities.
Body/bodies responsible for the consultation:	Local Government Finance Directorate within the Ministry of Housing, Communities and Local Government.
Duration:	This consultation will last for 4 weeks from 13 th December 2018 to 10 th January 2019.
Enquiries:	For any enquiries about the consultation please contact the Local Government Finance Settlement Team: lgfsettlement@communities.gov.uk
How to respond:	Consultation responses should be submitted by online survey:

¹ As required by section 78(5) of the Local Government Finance Act 1988.

² As required by section 78A(3) of the Local Government Finance Act 1988 and paragraph 12 of Schedule 7B to the same Act.

<https://www.surveymonkey.co.uk/r/provisionalsettlement1920>

The online survey will allow you to save a draft response and return to the survey at a later time. You may also submit additional information or evidence to support your response to this consultation. Further advice on how to use these features is available on the home page of the online survey.

Should you be unable to respond via the online survey, written responses may also be sent by email or post to:

lgfsettlement@communities.gov.uk

or

Local Government Finance Settlement Team
Ministry of Housing, Communities and Local Government
2nd floor, Fry Building
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When replying to this survey please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name,
- your position (if applicable),
- the name of organisation (if applicable),
- an address (including post-code),
- an email address, and
- a contact telephone number

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the General Data Protection Regulation, and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex A.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).

1. Summary of proposals

1.1 Background

1.1.1 The 2019-20 local government finance settlement has been designed in the context of the overall Spending Review package announced in 2015. In 2019-20, local government will see a real-terms increase in Core Spending Power.

1.1.2 The Government is confirming the final year of the four-year funding deal, which was accepted by 97% of authorities at the 2016-17 local government finance settlement in return for publishing efficiency plans. The Government proposes to allocate funding in 2019-20 in accordance with the agreed methodology announced by the Secretary of State in 2016-17, which ensures that councils delivering similar services receive a similar percentage change in settlement core funding for those services³.

1.1.3 The 2019 Spending Review will confirm overall local government resourcing from 2020-21, and the Government is working towards significant reform in the local government finance system in 2020-21, including:

- an updated, more robust and transparent distribution methodology following the review of relative needs and resources; and
- reforms to business rates retention, including resetting business rates baselines.

1.1.4 Prior to these reforms in 2020-21, the Government has also committed to:

- test aspects of the new system, and will be implementing a further round of business rates retention pilots in 2019-20; and
- publish a Green Paper on the future of Adult Social Care.

1.1.5 This chapter summarises the approach the Government is proposing for the 2019-20 settlement and provides an overview of the context to these proposals.

The review of local authorities' relative needs and resources

1.1.6 In order to address concerns that the current formula is unfair, out of date and overly complex, the Government is carrying out a review of local authorities' relative needs and resources to develop a more robust and up-to-date approach to distributing funding across all councils. The review will enable the Government to reconsider the drivers of local authorities' costs, the resources available to them to

³ Please note that the exact percentage change in 'Settlement Core Funding' will be influenced by the Government's decision on the issue of 'Negative RSG' (see Section 3.3).

fund local services, and how to account for these in a way that draws a more transparent and understandable link between local circumstances and resource allocations.

- 1.1.7 The Government has launched a further consultation, *A review of local authorities' relative needs and resources*, which marks the next step in developing a new distribution methodology. This consultation paper sets out the progress we have made in developing a proposed approach to measuring the relative needs of local authorities, which we will keep under review before setting out final proposals next year. The consultation also introduces potential approaches that have been identified to measuring the relative resources of authorities and proposes a set of principles to guide the future development of transitional arrangements. Responses to this consultation, which can be found at the link below, are requested by 21 February 2019.

<https://www.gov.uk/government/consultations/review-of-local-authorities-relative-needs-and-resources>

Reforms to business rates retention

- 1.1.8 The Government recognises the need to provide future certainty beyond the existing four-year funding deal, and to give councils more control of the taxes they raise locally. Central to this is our aim to devolve grant funding to **increase the proportion of business rates that councils will retain** from 2020. The current multi-year settlement provides a path to a new system which will build on the current 50% business rates retention scheme.
- 1.1.9 The Government also **continues to work with the sector to improve the way the local government finance system works**. Over the past year the Department has been developing reforms of the business rates retention system with the view to implementing these in 2020-21 alongside our aim to increase business rates retention. This will ensure that business rates retention provides a strong incentive for local authorities to grow the business rates in their area while reducing complexity.
- 1.1.10 The Government has published a further consultation, *Business Rates Retention Reform: Sharing risk and reward, managing volatility and setting up the reformed system*. Responses to this consultation, which can be found at the link below, are requested by 21 February 2019.

<https://www.gov.uk/government/consultations/business-rates-retention-reform>

Business rates retention pilots

- 1.1.11 In 2018-19, a range of local authorities piloted 100% business rates retention. These included 5 devolution deal areas, London, and 10 local authority pools throughout the country. It was announced in July 2018 that the pilots in Greater Manchester, Liverpool City Region, West Midlands, West of England and Cornwall will be extended into 2019-20.

1.1.12 In order to explore options for how increased business rates retention will work, it is important that different types of authority across the country take part in piloting. As such, ahead of the implementation of increased business rates retention, **the Government is announcing 75% business rates retention pilots in 2019-20.**

1.1.13 In 2019-20, the following 15 areas⁴ will pilot 75% business rates retention, and will be able to keep additional growth in their business rate income, with no adverse impact on other authorities across the country:

- Berkshire
- Buckinghamshire
- East Sussex
- Hertfordshire
- Lancashire
- Leicestershire
- Norfolk
- Northamptonshire
- North and West Yorkshire
- North of Tyne
- Solent Authorities
- Somerset
- Staffordshire and Stoke
- West Sussex
- Worcestershire

1.1.14 In addition, the Greater London Authority, the City of London and all the London Boroughs will continue to pilot business rates retention, at the lower rate of 75% in 2019-20.

Social Care

1.1.15 Since the Spending Review, the Government has recognised the increased pressure on **adult social care** and **children's social care**. At Spring Budget 2017, an additional £2 billion over three years was provided for adult social care.

1.1.16 At Autumn Budget 2018, an additional £890 million over two years was announced for adult and children's social care. This comprised:

- £240 million of additional funding in 2018-19 and 2019-20 for councils to spend on **adult social care services** to help councils alleviate winter pressures on the NHS;
- £410 million of social care grant in 2019-20 for **adult and children's services**; where necessary, to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can also use it to

⁴ A full list of the constituent local authorities which make up these pilot areas can be found in the draft Local Government Finance Report.

improve their social care offer for older people, people with disabilities and children.

1.1.17 An ageing society means that we need to reach a longer-term sustainable settlement for social care. This is why the Government has committed to publishing a Green Paper soon setting out its proposals for reform.

1.2 Summary of proposals

1.2.1 In summer 2018, the Government consulted on technical issues concerning the 2019-20 local government finance settlement. A summary of the responses to this consultation can be found at:

<https://www.gov.uk/government/consultations/local-government-finance-settlement-2019-to-2020-technical-consultation>

1.2.2 Having considered responses to that consultation, this document confirms our proposed approach to the 2019-20 local government finance settlement. This is outlined in the following chapters:

Chapter 2 – The distribution of central resources

1.2.3 Under the Local Government Finance Act 1988, the Government is required to notify representatives of local government of the general nature of the basis on which Revenue Support Grant will be allocated to local authorities each year, prior to the making of the annual Local Government Finance Report. This chapter therefore outlines the Government's proposals for:

- the final year of the multi-year settlement offer for those councils that accepted the Government's offer;
- the method for distributing the Social Care Support Grant;
- the method for distributing New Homes Bonus funding;
- the amount of and method for distributing the Rural Services Delivery Grant in 2019-20;
- the method for funding the business rates retention Safety Net and distributing the surplus on the levy account in 2018-19.

Chapter 3 – Changes to local resources

1.2.4 This chapter outlines the Government's proposals for the 2019-20 local government finance settlement that have implications for the local resources collected by councils, including:

- the Government's proposals for council tax referendum principles in 2019-20;
- the Government's approach to eliminating Negative Revenue Support Grant in full via forgone business rates receipts in 2019-20;

- the methodology for calculating the agreed changes in the local share of retained business rates and the level of tariff and top-ups for local authorities piloting 75% business rates retention.

Chapter 4 – Draft equality statement

1.2.5 This chapter contains a draft assessment of the impact of the 2019-20 settlement on persons who share a protected characteristic.

1.3 Exemplifications of the proposals

1.3.1 The supporting tables accompanying this consultation exemplify the proposals for individual local authorities. These proposals represent the Government's intentions, following representations to the local government finance technical consultation, and the figures are presented on the basis of available information.

1.3.2 Data changes, new information or errors identified by either the Department or local authorities between the publication of this consultation paper and the calculation of the final settlement may lead to changes to individual local authority exemplifications. The Government encourages local authorities to check their individual allocations.

2. The distribution of central resources

2.1 Summary

2.1.1 This chapter outlines the Government's proposals for distributing central resources in 2019-20 in line with the four-year deal announced in 2016-17. In summary, it outlines:

- the fourth year of the multi-year settlement deal for those councils that accepted the Government's offer;
- the method for distributing the Social Care Support Grant;
- the method for distributing New Homes Bonus funding;
- the amount of and method for distributing Rural Services Delivery Grant in 2019-20;
- the method for funding the business rates retention Safety Net and distributing the surplus in the levy account.

2.2 The multi-year settlement offer

2.2.1 The 2016-17 local government finance settlement announced the opportunity for councils to accept a multi-year settlement offer, which would give greater certainty of funding until the end of the Spending Review period. The offer included:

- Revenue Support Grant;
- Business rates tariff and top-up payments⁵;
- Rural Services Delivery Grant; and
- Transition Grant for 2016-17 and 2017-18.

2.2.2 97% of councils accepted the offer in return for publishing efficiency plans, allowing councils the confidence to plan and implement reforms.

2.2.3 Based on this, the Government intends to pay Revenue Support Grant in 2019-20 to receiving authorities (any billing authority or major precepting authority)⁶, except

⁵ The commitment at the 2016-17 settlement was that business rates tariff and top-up payments will not change for reasons relating to the relative needs of local authorities.

⁶ Each of the following is a major precepting authority:

- a county council which does not have the functions of a district council,
- police and crime commissioners in England whose police area is listed in Schedule 1 to the Police Act 1996,
- a metropolitan county fire and rescue authority,

local policing bodies,⁷ under sections 78, 78A and 79 of the Local Government Finance Act 1988.

2.2.4 A draft Local Government Finance Report (LGFR) for 2019-20 has been published alongside this document which sets out the method for allocating Revenue Support Grant. This is consistent with the methodology in 2016-17 and a description is included in the 2016-17 provisional consultation document, which can be found at:

<https://www.gov.uk/government/publications/draft-local-government-finance-report-2019-to-2020>

2.2.5 Allocations of funding for individual authorities are set out in the supporting tables published alongside this consultation.

2.2.6 We have also published individual local authority allocations for the improved Better Care Fund, which total £1.8 billion in 2019-20.

Question 1: Do you agree with the methodology for allocating Revenue Support Grant in 2019-20?

2.3 Social Care Support Grant

2.3.1 At Autumn Budget 2018, the Government announced £650 million extra funding in 2019-20 for local authorities to help deliver the services communities need and to support the most vulnerable residents. This comprised:

- £240 million of additional funding in 2019-20 for councils to spend on adult social care services to help councils alleviate **winter pressures** on the NHS. This is in addition to the £240 million for 2018-19 and provides assurance to councils so that they are not deterred from entering into commitments across the two years;
- £410 million of **social care grant** in 2019-20 for use for adult and children's services; where necessary, to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can also use it to improve their social care offer for older people, people with disabilities and children.

-
- a fire and rescue authority constituted by a scheme under section 2 of the Fire and Rescue Services Act 2004, or a scheme to which section 4 of that Act applies (a 'combined fire and rescue authority'), or a fire and rescue authority create by an order under section 4A of that Act,
 - the Greater London Authority, and
 - a mayoral combined authority, as defined by section 107A(8) of the Local Democracy, Economic Development and Construction Act 2009.

⁷ Local policing bodies comprise the Mayor's Office for Policing and Crime, police and crime commissioners, and the Common Council of the City of London. (The Mayor's Office for Policing and Crime (MOPAC) is a functional body of the Greater London Authority (s.424(1) of the Greater London Authority Act 1999)).

Winter pressures funding

2.3.2 As previously announced at the Budget, the winter pressures funding will be allocated in 2019-20 using the existing Adult Social Care Relative Needs Formula. This funding is ringfenced and will be pooled into the Better Care Fund to enable use of established reporting procedures.

2.3.3 Local authority allocations for 2019-20 can be found here:

<https://www.gov.uk/government/publications/winter-pressures-grant-allocations-for-2019-to-2020>

Social Care Support Grant

2.3.4 The Government proposes to allocate the £410 million social care grant according to the existing Adult Social Care Relative Needs Formula. There is not a single bespoke needs formula that can be used to model relative needs for both adult and children's social care fund. The Adult Social Care formula is well established and understood by the sector, and there is a good level of correlation between it and some key indicators of children's social care pressures. The Government does not believe that a better methodological alternative is available at this time, given that councils can choose whether to spend the grant on adult or children's social care.

2.3.5 Where necessary local councils should use this funding to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can use it to improve their social care offer to older people, people with disabilities **and children**. This grant will not be ringfenced, and conditions or reporting requirements will not be attached. We are also not prescribing how much of it should be spent on adult social care and how much should be spent on children's social care. Provisional allocations can be found here:

<https://www.gov.uk/government/publications/social-care-support-grant-allocations-for-2019-to-2020>

Question 2: Do you agree with the Government's proposed approach to allocating £410 million un-ringfenced funding for adult and children's social care according to the existing Adult Social Care Relative Needs Formula?

2.4 New Homes Bonus

2.4.1 The New Homes Bonus (the 'Bonus') was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. Including 2019-20 allocations, £7.9 billion has been allocated to local authorities through the scheme to reward additional housing supply, in respect of 1.6 million new homes, including 390,000 affordable homes, and over 90,000 long-term empty properties returned to use.

2.4.2 Although originally the Bonus was successful in encouraging authorities to welcome housing growth, it did not reward those authorities who are the most open to growth. In December 2016, following consultation, the Government announced reforms to the Bonus as follows:

- reduction of the number of years Bonus payments are made from 6 to 5 years in 2017-18 and to 4 years from 2018-19; and
- introduction of a national baseline for housing growth of 0.4% of council tax base (weighted by band) from 2017-18, below which the Bonus will not be paid. The Government also retained the option of adjusting the baseline in future years to reflect significant and unexpected housing growth.

New Homes Bonus baseline 2019-20

2.4.3 In 2018-19, the Government allocated an additional £8 million from departmental budgets in order to maintain the baseline at 0.4%. Due to a continued upwards trend for house building, in the 2019-20 local government finance settlement technical consultation, the Government indicated that decisions on the baseline for 2019-20 would be made following the publication of council tax base statistics in November.

2.4.4 After careful consideration of representations made during the technical consultation and the additional housing stock numbers reported through the council tax base data, the Government has decided not to make any change to the baseline, below which new allocations of the Bonus will not be paid, and this will remain at 0.4% for the 2019-20 allocations.

2.4.5 Provisional New Homes Bonus allocations for 2019-20 are being announced alongside this provisional settlement. Based on the most recent council tax base data available, the cost of Bonus payments relating to 2019-20 is forecast to be £221 million. Combining this with the cost of legacy payments provides an estimated total Bonus payment of £918 million in 2019-20. Details of the provisional allocations, and how the allocations have been calculated, can be found here:

<https://www.gov.uk/government/publications/new-homes-bonus-provisional-allocations-2019-to-2020>

<https://www.gov.uk/government/publications/new-homes-bonus-calculator-2019-to-2020>

2.4.6 Funding for New Homes Bonus will be made up from £900 million provided from Revenue Support Grant, and up to £20 million from departmental budgets. Final New Homes Bonus allocations for 2019-20 will be published alongside the final local government finance settlement.

Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2019-20 with the planned £900 million from Revenue Support Grant, with any additional funding being secured from departmental budgets?

2.5 Rural Services Delivery Grant

- 2.5.1 As part of the 2016-17 local government finance settlement, the Government announced that the Rural Services Delivery Grant would be increased for the next four years including payments of £80.5 million in 2016-17, £65 million in 2017-18, £50 million in 2018-19, and £65 million in 2019-20.
- 2.5.2 Since the Government set those allocations, it has recognised that cost pressures associated with service delivery in rural sparse areas, such as lack of private sector providers and poor broadband coverage should be met with a more consistent package of funding over the course of this Parliament. In 2018-19, Government increased the grant to £81 million, and, in 2019-20, the Government has decided to maintain the 2018-19 level, bringing it up from £65 million to £81 million, with additional funding being secured from departmental budgets.
- 2.5.3 This grant of £81 million in 2019-20 will be allocated to the top quartile of local authorities on the basis of the super-sparsity indicator, which ranks authorities by the proportion of the population which is scattered widely, using Census data and weighted towards the authorities with the sparsest populations.

Question 4: Do you agree with the Government's proposed approach to paying £81 million Rural Services Delivery Grant in 2019-20 to the upper quartile of local authorities based on the super-sparsity indicator?

2.6 Business rates retention: levy account surplus

- 2.6.1 As part of the operation of the business rates retention system, some authorities pay a levy on the growth in their business rates. This levy is designed to meet the cost of safety net payments for those authorities that have seen a decline in their income below 92.5% of their individual baseline funding level in a single financial year. Levy income and safety net payments are credited and charged to the levy account, which is managed by MHCLG on behalf of local government.
- 2.6.2 In previous years, if it appeared that the levy on high-earning authorities would be insufficient to fund the safety net, an additional amount was top-sliced from Revenue Support Grant.
- 2.6.3 National Non-Domestic Rates (NNDR3) data published on 21 November 2018 confirmed that, as a result of growth in business rates collected by authorities in 2017-18 and the associated levy payments, there is a surplus of £195m in the 2018-19 levy account.
- 2.6.4 The Government intends to distribute the majority of the surplus, £180m, to all local authorities on the basis of the 2013-14 settlement funding assessment – the sum of each authority's Revenue Support Grant and Baseline Funding Level allocations. This reflects the fact that in previous years Revenue Support Grant was top-sliced

from the settlement to fund safety net payments. Had this funding not been required, it would have been used to meet authorities` service needs. It is intended that the remainder of the surplus, £15m, be held back to meet potential safety net payments for 2019-20.

2.6.5 Details of the provisional allocations can be found here:

<https://www.gov.uk/government/publications/levy-account-surplus-allocations-for-2019-to-2020>

Question 5: The Government intends to distribute £180m of the levy account surplus. Do you agree with the proposal to make this distribution on the basis of each authority's 2013-14 Settlement Funding Assessment?

3. Changes to local resources

3.1 Summary

3.1.1 The 2019-20 local government finance settlement technical consultation consulted on proposals that have implications for the local resources collected by councils. Having carefully considered the representations received, this chapter sets out the Government's proposals, including:

- the Government's proposals for the council tax referendum principles for 2019-20;
- the Government's proposal to eliminate Negative Revenue Support Grant in full in 2019-20 via forgone business rates receipts;
- confirmation of the methodology, for the final settlement, for calculating the agreed changes to the local share of retained business rates and the level of tariff and top-ups for local authorities piloting 75% business rates retention, designed to ensure that no authorities anywhere in the country are adversely affected by these pilots.

3.2 Council tax referendum principles for principal local authorities

3.2.1 The 2018-19 settlement struck a balance on council tax, giving local authorities the flexibility to address pressures on services while also recognising that many households face their own pressures. It set out the Government's intention to maintain the core principle and package of flexibilities in 2019-20.

3.2.2 Following careful consideration of responses and, in light of announcements at Autumn Budget, the Government has decided to implement this package. However, in recognition of substantial increases in pressures, we are providing additional flexibility for police and crime commissioners. In doing so the Government continues to ensure that council tax payers can veto excessive increases via a local referendum:

- **a core principle of up to 3%**. This would apply to shire county councils, unitary authorities, London borough councils, the Common Council of the City of London, the Council of the Isles of Scilly, the general precept of the Greater London Authority, and fire and rescue authorities;
- **a continuation of the Adult Social Care precept, with an additional 2% flexibility** available for shire county councils, unitary authorities, London borough councils, the Common Council of the City of London and the Council of the Isles of Scilly. This is subject to total increases for the Adult Social Care precept **not exceeding 6% between 2017-18 and 2019-20**, and increases being **no more than 2% in 2019-20**;

- shire district councils in two-tier areas will be allowed increases of **up to 3%, or up to and including £5**, whichever is higher;
- police and crime commissioners (PCCs) will be **allowed increases of up to £24** in 2019-20 (including the Greater London Authority charge for the Metropolitan Police, and the PCC component of the Greater Manchester Combined Authority precept). This investment in the police system, combined with extra grant, will help forces meet increased demand and financial pressures, as they work towards continued efficiency savings in 2019-20.

Council tax precepts for Mayoral Combined Authorities

- 3.2.3 Devolution Deals have so far led to the creation of 8 Mayoral Combined Authorities⁸ (MCAs) with powers such as transport and planning. In 2019-20, six Combined Authority mayors will have powers to raise additional resources to meet the costs of their functions through a precept (or additional charge) on local council tax bills. The precept may only be set with the agreement of the Combined Authority.
- 3.2.4 In 2018-19, the Government concluded that it should be for each mayor to balance their ambitions and other resources and to decide the level of the first precept they set, with the expectation that mayors would exercise restraint and set a precept proportionate to their needs and not burdensome to their residents.
- 3.2.5 Having considered their use made of precepting powers in 2018-19, the Government has decided not to set referendum principles for Mayoral Combined Authorities in 2019-20.

Town and parish councils

- 3.2.6 In 2018-19, the Government decided to defer the setting of referendum principles for town and parish councils for three years. However, this was conditional upon:
- the sector taking all available steps to mitigate the need for council tax increases, including the use of reserves where they are not already earmarked for other uses or for “invest to save” projects which will lower on-going costs; and
 - the Government seeing clear evidence of restraint in the increases set by the sector.
- 3.2.7 In 2018-19, the average band D parish precept increased by 4.9% (£3.02). This compares to a 6.3% increase (£3.63) in 2017-18 and is the lowest year-on-year increase in parish precepts since 2015-16.

⁸ Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority will have a Mayor from May 2019.

- 3.2.8 The Government has decided to continue the deferral of setting referendum principles for town and parish councils subject to the conditions above, but encourages parish councils to continue this downward trend, and will keep this area under active review

Question 6: What are your views on the council tax referendum principles proposed by the Government for 2019-20?

3.3 Negative Revenue Support Grant

- 3.3.1 Negative Revenue Support Grant (RSG) is the name given to a downward adjustment of a local authority's business rates top-up or tariff. This occurs as a consequence of changes to the distribution methodology adopted at the 2016-17 settlement, which formed the basis of the multi-year settlement. In 2019-20, Negative RSG totals £152.9 million.
- 3.3.2 The 2019-20 local government finance technical consultation explored fair and affordable options for addressing this issue. Having considered the representations received, the Government has decided to proceed with its preferred approach that Negative RSG is eliminated in full via foregone business rates receipts in 2019-20. This option meets the criteria of being fair and affordable, while also being simple and direct. This option honours the commitment that Government made at the introduction of the multi-year settlement not to adjust tariffs and top-ups and not to undermine the incentive for local authorities to invest in local growth.
- 3.3.3 Negative RSG figures for 2019-20 can be seen in Tariff/Top-up adjustment column in tables published here:

<https://www.gov.uk/government/publications/negative-revenue-support-grant-for-2019-to-2020>

3.4 Adjustments to business rates in areas piloting 75% business rates retention

- 3.4.1 In 2018-19, a range of local authority pilots of 100% business rates retention tested aspects of the system; these included a number of devolution deal areas, a London pool, and 10 other pilots across the country. Greater Manchester and Liverpool City Region, together with Cornwall Council and the councils in the combined authority areas of West of England and West Midlands will continue to pilot 100% rates retention in 2019-20.
- 3.4.2 Following successful bids to pilot in other areas, a further 122 authorities in 15 areas will form "pools" to pilot 75% business rate retention in 2019-20⁹. In addition, the GLA, the City of London and all London Boroughs will form a "pool" for the purposes of the business rates retention scheme and will pilot 75% business rates retention in 2019-20. Taken together, these pilots will allow us to test a large

⁹ These are listed in Chapter 1: Summary of proposals.

number of variants of 75% business rates retention, and to assess how different structures support local growth and the sustainability of local services.¹⁰ These pilots will have no adverse impact on other authorities across the country.

- 3.4.3 New pilot authorities will each retain an increased amount of locally raised business rates. In return they will forego Revenue Support Grant (RSG) and Rural Services Delivery Grant. Authorities' tariffs and top-ups will be adjusted to ensure fiscal neutrality. In the 2017-18 local government finance settlement technical consultation, the Government set out a methodology¹¹ for calculating the baseline funding levels, business rates baselines and tariffs and top-ups of the pilot authorities for 2017-18. We propose to use the same methodology in 2019-20 to calculate the baseline funding levels, business rates baselines and tariffs and top-ups for the "new" 2019-20 pilots and to amend the baseline funding levels, business rates baselines and tariffs and top-ups for the pilots created in 2017-18, to reflect changes in those authorities' grant totals between 2017-18 and 2019-20.

3.5 Business Rates Revaluation

- 3.5.1 The most recent business rates revaluation took effect from 1 April 2017. This created change in business rates revenues outside the control of local authorities. When the Government introduced the 50% business rate retention scheme it signalled that it would adjust each authority's tariff or top-up following a revaluation to ensure, as far as is practicable, that their retained income is the same after revaluation as immediately before.
- 3.5.2 In the 2016-17 local government finance settlement technical consultation the Government detailed the method by which the impact of the 2017 business rates revaluation would be neutralised in the rates retention scheme. The Government committed to making the revaluation adjustment in three stages. The final stage of adjustment will occur in 2019-20 where we will cancel the one-off reconciliation adjustment to 2018-19 tariffs and top-ups.

Question 7: What are your views on the Government's approach to tariffs and top-ups in 2019-20?

¹⁰ A full list of the constituent local authorities which make up these pilot areas can be found in the draft Local Government Finance Report.

¹¹ The methodology can be found at: <https://www.gov.uk/government/consultations/local-government-finance-settlement-2017-to-2018-technical-consultation>

4. Draft equality statement

- 4.1. In the 2019-20 local government finance settlement technical consultation, we sought views on the impact of the proposals for the 2019-20 settlement outlined in the document on persons who share a protected characteristic. A draft assessment of the impact of the 2019-20 local government finance settlement has been published alongside this consultation document at:

<https://www.gov.uk/government/publications/provisional-local-government-finance-settlement-2019-to-2020-draft-equality-statement>

Question 8: Do you have any comments on the impact of the 2019-20 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.

Annex A: Privacy Notice

Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the data controller and contact details of our Data Protection Officer

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at dataprotection@communities.gsi.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation. This consultation fulfils mandatory statutory requirements to consult under sections 78(5), 78A(3) and paragraph 12 of Schedule 7B of the Local Government Finance Act 1988.

3. With whom we will be sharing your personal data

- Other Government Departments including:
 - Attorney General's Office
 - Cabinet Office
 - Department for Business, Energy and Industrial Strategy
 - Department for Digital, Culture, Media and Sport
 - Department for Education Department for Environment
 - Food and Rural Affairs
 - Department for Exiting the European Union
 - Department for International Development
 - Department for International Trade
 - Department for Transport
 - Department for Work and Pensions

- Department of Health and Social Care
- Foreign and Commonwealth Office
- Her Majesty's Treasury
- Home Office
- Ministry of Defence
- Ministry of Justice
- Northern Ireland Office
- Office of the Advocate General for Scotland
- Office of the Leader of the House of Commons
- Office of the Leader of the House of Lords
- Scotland Office UK
- Export Finance
- Wales Office

4. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for two years from the closure of the consultation

5. Your rights, e.g. access, rectification, erasure

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have all or some of your data deleted or corrected
- d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

6. *The data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in terms of data protection will not be compromised by this.*

7. Your personal data will not be used for any automated decision making.

8. Your personal data will be stored in a secure government IT system.

Your personal data will be transferred from Survey Monkey to a secure government IT system from the date of the end of the consultation on 3 January 2019

Annex B: Summary of consultation questions

Question 1: Do you agree with the methodology for allocating Revenue Support Grant in 2019-20?

Question 2: Do you agree with the Government's proposed approach to allocating £410 million un-ringfenced funding for adult and children's social care according to the existing Adult Social Care Relative Needs Formula?

Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2019-20 with the planned £900 million from Revenue Support Grant, with any additional funding being secured from departmental budgets?

Question 4: Do you agree with the Government's proposed approach to paying £81 million Rural Services Delivery Grant in 2019-20 to the upper quartile of local authorities based on the super-sparsity indicator?

Question 5: The Government intends to distribute £180m of the levy account surplus. Do you agree with the proposal to make this distribution on the basis of each authority's 2013-14 Settlement Funding Assessment?

Question 6: What are your views on the council tax referendum principles proposed by the Government for 2019-20?

Question 7: What are your views on the Government's approach to tariffs and top-ups in 2019-20?

Question 8: Do you have any comments on the impact of the 2019-20 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.

Annex C: Glossary of technical terms

Baseline funding level

The amount of an individual local authority's 2013-14 Settlement Funding Assessment provided through the *local share* of the Estimated Business Rates Aggregate uprated each year by the change to the small business multiplier (in line with CPI in 2018-19 and 2019-20¹²).

Business rates baseline

Determined for individual authorities at the outset of the business rates retention scheme by dividing the *local share* of the Estimated Business Rates Aggregate (England) between billing authorities on the basis of their proportionate shares, before the payment of any major precepting authority share.

Local share

The percentage share of locally collected business rates that is retained by local government.

Revenue Support Grant

Billing and most major precepting authorities receive Revenue Support Grant from central government in addition to their local share of Business Rates Aggregate. An authority's Revenue Support Grant amount plus the local share of the Estimated Business Rates Aggregate will together comprise its Settlement Funding Assessment.

Safety net

Mechanism to protect any authority which sees its business rates income drop, in any year, by more than 7.5% below their *baseline funding level* (with baseline funding levels being uprated by the small business rates multiplier for the purposes of assessing eligibility for support).

Settlement Funding Assessment

A local authority's share of the local government spending control total comprising its Revenue Support Grant and its *baseline funding level* for the year in question.

Tariffs and top-ups

Calculated by comparing at the outset of the business rate retention scheme an individual authority's business rates baseline against its baseline funding level. Tariffs and top-ups are self-funding, fixed at the start of the scheme, then indexed in line with the change in the small business rating multiplier.

¹² Excluding the Isles of Scilly, whose baseline funding level is uprated by RPI in 2018-19 and 2019-20.

Tariff authority

An authority with, at the outset of the scheme, a higher individual authority business rates baseline than its baseline funding level, and which therefore pays a tariff.

Top-up authority

An authority with, at the outset of the scheme, a lower individual authority business rates baseline than its baseline funding level, and which therefore receives a top-up.